

INTRODUCTION OF THE PREMIER
CERTIFIED LENDERS PROGRAM
IMPROVEMENT ACT OF 2002

HON. JOHN T. DOOLITTLE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 24, 2002

Mr. DOOLITTLE. Mr. Speaker, I rise today to introduce the Premier Certified Lenders Program Improvement Act of 2002. This legislation makes a small but very significant change in the PCL program that will benefit hundreds of small businesses around the country without imposing any new burden on the Federal Government or U.S. Treasury.

As my colleagues no doubt recognize, small businesses are the backbone of our nation. Indeed, Dr. Lloyd Blanchard of the Small Business Administration (SBA) testified recently before Congress, "Today, almost a quarter of American households are either starting a business, own a business, or investing in someone else's business." The United States economy depends on entrepreneurs whose spirit results in the creation of both new businesses and new jobs.

To continue the economic growth we are experiencing today, the Government should encourage small business development both by providing incentives for entrepreneurs and by removing regulatory hurdles. One successful example of Government encouragement of small business is the Premier Certified Lenders Program (PCLP). The PCLP, established in 1997, allows a participating Certified Development Company (CDC) the expanded authority to review and approve SBA 504 Loan requests and to foreclose, litigate, and liquidate SBA 504 Loans made under the Program. By taking on this authority, the private sector is able to stretch limited federal resources in order to help more small businesses.

To participate in the PCLP, however, a CDC is required to deposit one percent of each SBA 504 Debenture issued under the PCLP into a loss reserve account. This deposit remains in the loss reserve account until the PCLP Debenture is fully paid or until the SBA suffers a loss. The loss reserve account is designed to cover ten percent of any loss incurred by SBA as a result of a default.

The loss reserve account was made a part of the PCLP legislation to address the concern that a participating CDC would not have any perceived "risk" associated with its expanded authority under the Program. However, the percentages used in figuring the loss reserve accounts—the ten percent to cover any loss and the one percent of every Debenture as contribution—were determined arbitrarily and are not based on any historical loss record or risk analysis. The one percent contribution is the most egregious; the full deposit must remain in the loss reserve account even as the loan is paid down over its twenty year term and there is no accounting for the historical reduction of risk as a loan matures.

As a result of these arbitrary requirements of the PCLP, many CDCs have decided not to participate in the PCL Program. As for those who are participating, some companies have accumulated large loss reserve accounts which are far in excess of any amounts that would ever be realistically used to insure payment of their loss obligation to SBA. The long

term retention of these excess reserve funds hinders participating CDCs from reaching their full potential to foster economic development, create job opportunities, and stimulate growth, expansion, and modernization of small businesses.

The legislation I am introducing today will improve the Premier Certified Lenders Program by giving participating CDCs greater flexibility. Specifically, my legislation amends the Premier Certified Lenders Program to allow willing CDCs to establish "risk-based" loss reserve accounts that are sufficient to protect the Government and taxpayers from default, but that do not contain excessive amounts of capital that would be better dedicated to helping additional small businesses.

Mr. Speaker, maintaining a risk-based reserve is just common sense. Other industries, such as the banking industry, have already moved from a "loan-by-loan" reserve to a "pool" reserve to cover their exposure.

Under my legislation, a participating CDC will be able to establish a risk-based reserve only if it: (1) proves itself to be an established PCL (minimum of \$25,000 in its loss reserve account); (2) freely elects to develop such a reserve; (3) obtains quarterly approval from a third-party auditor that its loss reserve is sufficient to cover its risk of default; and (4) receives annual approval from the SBA. These requirements will ensure that participating CDCs are accountable and that U.S. taxpayers are protected.

I hope my colleagues will take an opportunity to review this legislation to improve the Premier Certified Lenders Program. I look forward to working with them and the Small Business Committee, chaired by my friend, DON MANZULLO, to encourage the creation and expansion of more small businesses across our nation.

PAYING TRIBUTE TO JUANITA
JENNY MARTINEZ

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 24, 2002

Mr. McINNIS. Mr. Speaker, tonight I pay tribute to the passing of Juanita Martinez, who was selflessly committed to the betterment of Pueblo. After a long battle, Juanita succumbed to the effects of cancer on June 30, 2002. As her family mourns the loss, I would like to highlight her life before this body of Congress and this nation.

Juanita Martinez was an avid dancer who provided lessons free of charge, and even bought costumes for her students! She was the first Chicana dance instructor to teach Mexican folk dancing at the University of Southern Colorado, and choreographed the dance for the Colorado State Fair's First Annual Fiesta Day celebration. She also frequently performed at Memorial Hall in Pueblo as a young Zaragoza Hall dancer, whose styles mirrored Mexican folk dances to reflect her beloved heritage. Her most famous dance escapade resulted when she performed with then-presidential candidate Ronald Reagan during a campaign stop at the Colorado Republican State Assembly. She was extremely patriotic, and always wore red-white-and-blue in her daily attire to show her devotion to her country.

Mr. Speaker, Juanita Martinez encompassed the qualities of a true community volunteer, and she and her efforts will be dearly missed. I, along with her loving family and grateful community, will mourn her loss.

JA NATIONAL VOLUNTEER AWARD
OF EXCELLENCE BARBARA
LYON, HUNTINGTON BEACH,
CALIFORNIA

HON. DANA ROHRBACHER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 24, 2002

Mr. ROHRBACHER. Mr. Speaker, I rise to speak today about a resident of my district who is being honored by an organization which has had an immeasurable impact on America. Barbara Lyon of Bank of America is Junior Achievement's National Volunteer Award of Excellence Winner. Her efforts in Southern California have impacted nearly 40,000 students in that area over the years. Her tireless work to promote JA and support the organization in its effort to educate young people about business, economics and the free enterprise system is worthy of this recognition.

The history of Junior Achievement is a true testament to the indelible human spirit and American ingenuity. Junior Achievement was founded in 1919 as a collection of small, after school business clubs for students in Springfield, Massachusetts.

As the rural-to-city exodus of the populace accelerated in the early 1900s, so too did the demand for workforce preparation and entrepreneurship. Junior Achievement students were taught how to think and plan for a business, acquire supplies and talent, build their own products, advertise, and sell. With the financial support of companies and individuals, Junior Achievement recruited numerous sponsoring agencies such as the New England Rotarians, Boy Scouts, Girl Scouts, Boys & Girls Clubs the YMCA, local churches, playground associations and schools to provide meeting places for its growing ranks of interested students.

In a few short years JA students were competing in regional expositions and trade fairs and rubbing elbows with top business leaders. In 1925, President Calvin Coolidge hosted a reception on the White House lawn to kick off a national fundraising drive for Junior Achievement's expansion. By the late 1920s, there were nearly 800 JA Clubs with some 9,000 Achievers in 13 cities in Massachusetts, New York, Rhode Island, and Connecticut.

During World War II, enterprising students in JA business clubs used their ingenuity to find new and different products for the war effort. In Chicago, JA students won a contract to manufacture 10,000 pants hangers for the U.S. Army. In Pittsburgh, JA students developed and made a specially lined box to carry off incendiary devices, which was approved by the Civil Defense and sold locally. Elsewhere, JA students made baby incubators and used acetylene torches in abandoned locomotive yards to obtain badly needed scrap iron.

In the 1940s, leading executives of the day such as S. Bayard Colgate, James Cash Penney, Joseph Sprang of Gillette and others helped the organization grow rapidly. Stories